

# Fiscal Guidance for Federal Grant Programs



**Division of Financial and Administrative Services**  
**Dr. Kari Monsees, Deputy Commissioner**

**April 2023**

**<https://dese.mo.gov/financial-admin-services>**

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## INTRODUCTION

The purpose of this document is to provide a reference to the fiscal requirements and procedures necessary for responsible financial management of Federal grant programs. The intent is to provide a general overview of Federal requirements and assist subgrantees/ recipients in the proper fiscal accountability for Federal funds as prescribed by law. Fiscal oversight of Federal grants is assigned to the Division of Financial and Administrative Services within the Missouri Department of Elementary and Secondary Education (DESE).

This guidance document references the Code of Federal Regulations, Uniform Grant Guidance (UGG), and the Education Department General Administrative Regulations (EDGAR). Since this document is not all-inclusive, the reader is encouraged to refer to specific program legislation and regulations as needed. In such instances where state statute is more restrictive than Federal requirements, the state statute applies. Every effort has been made to ensure that this document is accurate, if this guidance conflicts with state or Federal statutes or regulations, the statutes or regulations should be followed.

The following sections describe a general overview of Federal requirements for subgrantees/ recipients receiving Federal grant awards. All requirements outlined below are Federal policies established by legislative or executive authority which apply to all Federal programs. Subgrantees/recipients must have policies and procedures to implement and perform these requirements. They are to be reviewed as part of an audit of each state and local government or other entity which receives Federal financial assistance.

**Additional resources are posted on the Division webpage at:**

<https://dese.mo.gov/financial-admin-services>

For detailed information about specific grant requirements, please contact the appropriate section as indicated below.

### **Afterschool Programs (21<sup>st</sup> CCLC/SAC)**

Contact: Cindy Heislen, Director

Phone: 573-522-2627

Email: [exl@dese.mo.gov](mailto:exl@dese.mo.gov)

Website: <https://dese.mo.gov/childhood/quality-programs/afterschool-programs>

### **Adult Education and Literacy**

Contact: Megan Wadley, Director

Phone: 573-526-4823

Email: [ael@mo.gov](mailto:ael@mo.gov)

Website: <https://dese.mo.gov/college-career-readiness/adult-education-literacy>

**Special Education Finance**

Contact: Alicia Hunt Kettermann, Director

Phone: 573-751-0622

Email: [spedfunding@dese.mo.gov](mailto:spedfunding@dese.mo.gov)

Website: <https://dese.mo.gov/financial-admin-services/special-education-finance>

**Elementary & Secondary Education Act (ESEA) Finance**

Contact: Kim Oligschlaeger, Coordinator

Phone: 573-751-2641

Email: [federalfinancial@dese.mo.gov](mailto:federalfinancial@dese.mo.gov)

Website: <https://dese.mo.gov/financial-admin-services/esea-finance>

**Career and Technical Education (CTE) Finance**

Contact: Andy Martin, Coordinator

Phone: 573-751-0449

Email: [andy.martin@dese.mo.gov](mailto:andy.martin@dese.mo.gov)

Website: <https://dese.mo.gov/financial-admin-services/career-and-technical-education-cte-finance>

**Food & Nutrition Services Programs**

Contact: Barb Shaw, Coordinator

Phone: 573-751-3526

Email: [foodandnutritionservices@dese.mo.gov](mailto:foodandnutritionservices@dese.mo.gov)

Website: <https://dese.mo.gov/financial-admin-services/food-nutrition-services>

**Vocational Rehabilitation**

Contact: Sara Hagenhoff, Director of Fiscal Management

Phone: 573-526-7009

Email: [sara.hagenhoff@vr.dese.mo.gov](mailto:sara.hagenhoff@vr.dese.mo.gov)

Website: <https://dese.mo.gov/adult-learning-rehabilitation-services/vocational-rehabilitation>

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## DEFINITIONS

- Federal Awarding Agency means a Federal agency that provides a Federal award directly to a non-Federal entity.
- Non-Federal Entity means a state, local government, Indian tribe, institution of higher education (IHE) or nonprofit organization that carries out a Federal award as a recipient or subrecipient/subgrantee.
- Subrecipient/Subgrantee means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

*Reference: 2 CFR Part 200.1*

## ALLOWABLE/REASONABLE/ALLOCABLE COSTS (Written Procedure Required)

Subgrantees assume responsibility for ensuring that Federal funds have been expended and accounted for consistent with program regulations and approved applications. Costs generally are categorized as either direct or indirect. All coding of direct and indirect costs should follow the [Missouri School Finance Accounting Manual](#).

**Direct costs** may include salaries, fringe benefits, purchased services, supplies and equipment.

- Administrative or Clerical Staff
  - Direct charging of these costs may be appropriate only if all of the following conditions are met:
    - Such services are integral to a project or activity;
    - Individuals involved can be specifically identified with the project or activity;
    - Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
    - The costs are not also recovered as indirect cost.
  - Example: Job description could be used to meet these conditions along with time and effort documentation.

*Reference: 2 CFR Part 200.413(c)*

**Indirect costs** are those costs which are not readily identified with the activities funded by the Federal grant or contract but are nevertheless incurred for the joint benefit of those activities and other activities and programs of the subgrantee/recipient. Accounting, auditing, payroll, personnel, budgeting, purchasing, and operation/maintenance of plant are examples of services which typically benefit several activities and programs and for which appropriate costs may be attributed to the Federal program by means of an indirect cost allocation plan.

- The indirect cost rate used in calculating the indirect costs depends on whether the grant is a restricted or unrestricted grant.

*Reference: Missouri School Finance Accounting Manual and 2 CFR Part 200.56*

*Reference: 2 CFR Part 200.414*

### **Allowability**

To be allowable under a Federal award, costs must meet the following general criteria and must be in a written procedure:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity;
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a Federal award as an indirect cost;
- Be determined in accordance with generally accepted accounting principles (GAAP);
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period;
- Be adequately documented; and
- Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to [§ 200.308\(e\)\(3\)](#).

*Reference: 2 CFR Parts 200.403 and 200.406*

### **Reasonable**

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for geographic area.

- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

*Reference: 2 CFR Part 200.404*

### **Allocable**

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to the Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- is incurred specifically for the Federal award;
- benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award.

All activities which benefit from the non-Federal entity's indirect cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

Any cost allocable to a particular Federal award may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

Direct cost allocation principles state that if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

*Reference: 2 CFR Part 200.405*

## ANNUAL RISK ASSESSMENT

A risk assessment for all subrecipients/subgrantees is performed on annual basis. Risk factors include:

Risk Indicator	Definition
Audit Findings	An audit finding of LEA financial records related to the applicable Federal program from the fiscal year under review or from the most recent audit
New Personnel	A change in the Federal grant contact personnel (Core Data August cycle, Screen 3) from the year prior to the fiscal year under review to the fiscal year under review
Fiscal Monitoring Findings	Fiscal monitoring findings that resulted in a Corrective Action Plan (CAP) from a self-assessment, phone review, or onsite review from the most recent fiscal year
Late Budget	Budget application from fiscal year under review submitted any date after July 1
Late FER	FER from fiscal year under review or prior year submitted any date after September 30
Allocation Amount	Top 10% of LEAs with the largest allocations of the Federal grant award from the fiscal year under review
Overpayments	Overpayment of any amount in the fiscal year under review
Lapsed/Forfeited Funds	Lapsed or forfeited funds of any amount in the fiscal year under review
Last Fiscal Monitoring	Date of last fiscal monitoring (phone review or onsite review) more than three years ago
LEA Personnel Attend Division Training	LEA personnel responsible for Federal grants management have not attended the Division's Financial Management training in the past three years
Financial Concerns	Identified financial concerns in the fiscal year under review, including but not limited to financial distress, impending school closure, indications of fraud/abuse, Cash Management Plan assignment, late budget/FER approval, FER revisions, and award restrictions
Timely Correction of Findings	LEA has not implemented CAP(s) on fiscal monitoring findings from the most recent fiscal year within the given timeframe



### **Specific Conditions**

The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed, in accordance with this section, based on an analysis of the following factors:

- (1) Based on the criteria set forth in § 200.206;
- (2) The applicant or recipient's history of compliance with the general or specific terms and conditions of a Federal award;
- (3) The applicant or recipient's ability to meet expected performance goals as described in § 200.211; or
- (4) A responsibility determination of an applicant or recipient.

These additional Federal award conditions may include items such as the following:

1. Requiring payments as reimbursements rather than advance payments;
2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3. Requiring additional, more detailed financial reports;
4. Requiring additional project monitoring;
5. Requiring the non-Federal entity to obtain technical or management assistance; or
6. Establishing additional prior approvals.

The Federal awarding agency or pass-through entity must notify the applicant or non-Federal entity as to:

1. The nature of the additional requirements;
2. The reason why the additional requirements are being imposed;
3. The nature of the action needed to remove the additional requirement, if applicable;
4. The time allowed for completing the actions if applicable, and
5. The method for requesting reconsideration of the additional requirements imposed.

Any specific conditions must be promptly removed once the conditions that prompted them have been corrected.

Reference: 2 CFR Part §200.208

### **Withholding Authority**

If the Subrecipients/Subgrantees fail to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity (DESE) may impose additional conditions, as described in §200.208 Specific conditions. If DESE determines that noncompliance cannot be remedied by imposing additional conditions, it may temporarily withhold cash payments pending correction of the deficiency.

When Subrecipients/Subgrantees fail to submit requested information after reasonable attempts and DESE determines them non-compliant, the following procedure will be implemented:

DESE staff will email LEA program contact, Superintendent, Area Supervisor, Bookkeeper and if applicable, Nonpublic school official requesting information needed.

- Email will include a specific deadline for submission to DESE.

If LEA does not respond by the deadline, the Executive Leadership Team (ELT) team (Deputy Commissioner or designee) will contact the Superintendent concerning the LEAs failure to submit requested information by the deadline.

If that deadline is not met, the DESE fiscal/program staff will work with the Executive Leadership Team (ELT) to send a letter to the Superintendent, LEA Board of Education, Charter School Sponsor or Board of Directors detailing information that has not been received.

DESE may temporarily withhold cash payments based on the GEPA Administrative Hearing guidelines in **20 USC § 1232c**.

#### **State agency monitoring and enforcement 20 USC § 1232c**

In order to enforce the Federal requirements under any applicable program the State may—suspend payments to any local agency, in whole or in part, under the program if the State has reason to believe that the local agency has failed substantially to comply with any of such requirements, except that

- the State shall not suspend such payments until fifteen days after the State provides the local agency an opportunity to show cause why such action should not be taken and
- no such suspension shall continue in effect longer than sixty days unless the State within such period provides the notice for a hearing required of this subsection;
- withhold payments, in whole or in part, under any such program if the State finds, after reasonable notice and opportunity for a hearing before an impartial hearing officer, that the local agency has failed substantially to comply with any of such requirements.

#### **Requirement of More Detailed Financial Reports**

##### **High Risk Financial Plan**

The Missouri Department of Elementary and Secondary Education, Division of Financial and Administrative Services, has implemented a High Risk Financial Plan procedure for Subrecipients/Subgrantees that meet specific criteria as outlined below.

The following criteria may trigger the High Risk Financial Plan procedure to be implemented:

- Fiscal Compliance: The Subrecipients/Subgrantees has not met a specific grant requirement or has had multiple questions related to a specific grant requirement.

- Possible Closure or Annexation: There is a possibility the Subrecipients/Subgrantees will close or be annexed into other Subrecipients/Subgrantees.
- Accusations of Fraud/Abuse: There have been allegations of fraud and/or abuse of grant funds.
- Financially Distressed: The Subrecipients/Subgrantees has been identified as financially distressed by the School Finance Section within the Department.

If the Subrecipients/Subgrantees meets one of the criteria above, the Subrecipients/Subgrantees may be placed on a High Risk Financial Plan. Taking this action will help assure that the Department remains in good standing in meeting grant compliance, and will also help the Subrecipients/Subgrantees avoid situations that could have potentially catastrophic financial consequences.

Placement on the High Risk Financial Plan will require the Subrecipients/Subgrantees to submit supporting documentation on all payment requests for applicable grants. Initial documentation will include submittal of the general ledger for the applicable program(s). Once the general ledger has been reviewed, the Subrecipients/Subgrantees may be required to submit invoices or payroll records as further verification.

After all supporting documentation has been approved by the Department, the ePeGS Payment Request will be approved and processed for payment.

The general ledger must be submitted with each payment request. All payment requests must be for reimbursement of expenditures paid to date; the Subrecipients/Subgrantees will not be allowed to request funds for anticipated expenditures. The Subrecipients/Subgrantees will be notified on a year-to-year basis as to if they have been placed under the High Risk Plan procedure.

#### **CASH MANAGEMENT IMPROVEMENT ACT (CMIA) (Written Procedure Required)**

The Cash Management Improvement Act (CMIA) was placed in operation to prevent interest earnings on Federal funds. Section 31 CFR Part 205 “Rules and Procedures for Efficient Federal-State Funds Transfers” states that methods and procedures for payment must minimize the time elapsing between the transfer of funds from the United States Treasury to the State and ultimately to the pass-through entity. Therefore, DESE must ensure that payments to the pass-through entity are for reimbursements only. DESE must monitor payments to assure that they conform to the Federal regulations. This applies to both monthly payment requests and final expenditure report (FER) payments. DESE does not allow advance payments.

For example, to consider the funds “spent,” the payroll transactions should be recorded on the pass-through entity’s books and the funds delivered to the recipients.

DESE must make payment within 30 calendar days after receipt of the billing, unless DESE reasonably believes the request to be improper.

Payment requests cannot be submitted until an initial budget application for the grant has been approved and must only include actual cumulative expenditures up to the payment request submission date.

Payment requests for Federal funds may be submitted any day of the month. Payment requests received between the 21<sup>st</sup> of the prior month and the 1<sup>st</sup> of the current month will be paid on approximately the 21<sup>st</sup> of the current month. Payment requests received between the 2<sup>nd</sup> of the current month and the 20<sup>th</sup> of the current month will be paid by the end of the current month. Below is a summary of the payment request schedule.

Payment Request Submitted Date	Payment Received (ACH) Date
21 <sup>st</sup> of prior month to 1 <sup>st</sup> of current month	By 21 <sup>st</sup> of current month
2 <sup>nd</sup> to 20 <sup>th</sup> of current month	By end of the current month

### **Interest Earned**

Interest earned on any Federal funds by a pass-through entity is required to be submitted at least annually to the Department of Health and Human Services (through DESE). Up to \$500 per year on all combined Federal programs may be retained by the pass-through entity for administrative expenses. It is the responsibility of the pass-through entity to document administrative expenses claimed as an interest offset.

### **Calculating Interest**

The interest calculation is the amount of the reimbursement times the annualized Federal interest rate for the fiscal year times the number of business days the funds were held until delivery. Federal interest rates are located at <http://www.fms.treas.gov/cmia/index.html> for the applicable July 1-June 30 fiscal year. If the United States Treasury has not established a current rate, use the most recent rate.

Example: ABC School District delivered payroll checks in the amount of \$100,000 on July 29; however, they requested and received reimbursement on June 22. This is in violation of CMIA rules; therefore, the calculation of the interest is:

\$100,000	Reimbursement
X .0000006	Most recent fiscal year daily Federal interest rate
X 25	Business days (exclude weekends and banking holidays)
<hr/> \$1.50	Interest due

CMIA applies to all Federal funds.

*Reference: 2 CFR Part 200.305*

## CONFERENCES/MEETINGS

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.

Allowable conference (meeting) costs paid by the non-Federal entity as a sponsor or host of the conference may include:

- Rental of facilities
- Speakers' fees
  - Employees of LEA may not be paid a speaker fee unless specifically permitted by the authorizing statute, regulation and Department
- Costs of meals and refreshments
  - Meal costs are allowed unless specifically not permitted by the authorizing statute, regulation and Department (please contact the appropriate DESE program section for further guidance).
  - If allowed, LEA may need to provide the following documentation
    - Agenda
    - List of Attendees
    - Meal costs are reasonable and necessary based on the LEA's policies and procedures
    - Written justification to demonstrate how it meets the goals and objectives of a Federal grant
- Local transportation
- Other items incidental to such conferences

*Reference: 2 CFR Part 200.432*

Unallowable conference (meeting) costs

- Entertainment costs
  - Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable.

*Reference: 2 CFR Part 200.438*

## **EQUIPMENT AND OTHER CAPITAL EXPENDITURES (CONSTRUCTION)**

A non-Federal entity may not use its grant funds for construction unless specifically permitted by the authorizing statute, regulation and Department. Prior approval must be received.

*Reference: 2 CFR Part 200.439(3)*

## **CONTRACTS VS. SUBRECIPIENT/SUBGRANTEE**

### **Contractor**

A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Contract characteristics include:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Normally operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

### **Subrecipient/Subgrantee**

A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient/subgrantee. Subrecipient/Subgrantee characteristics include:

1. Determines who is eligible to receive what Federal assistance;
2. Has its performance measured in relation to whether objectives of a Federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
5. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

*Reference: 2 CFR Part 200.331*

## DAVIS-BACON ACT

Laborers and mechanics employed by contractors or subcontractors to work on approved construction projects financed using Federal assistance must be paid wages not less than those established for the local project area by the Secretary of Labor. Prevailing wage rates are located at: <https://www.wdol.gov/> or <https://labor.mo.gov/DLS/PrevailingWage>.

*Reference: 40 Stat 1494, Mar.3, 1931, Chap. 411, 40 U.S.C. 576A-276A-5*

## DEBARMENT AND SUSPENSION

Non-Federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. This requirement applies to goods and services transactions expected to equal or exceed \$25,000. This requirement does not apply to employees, registrations or material and supplies.

Non-Federal entities must go to [www.sam.gov](http://www.sam.gov) or <http://exclusions.oig.hhs.gov/> to verify the status of contractors/vendors with the Federal government. To search a contractor/vendor, follow the steps listed below.

- Click on "Search Records"
- Click on "Advanced Search-Exclusion"
- Enter the social security number/tax identification number in the SSN/TIN search field

If the results indicate "No Records Found," then the contractor/vendor is in good standing with the Federal government. The non-Federal entity should print a copy of the search results for procurement record documentation purposes.

*Reference: 2 CFR Parts 180.220 and 200.212*

## EQUIPMENT AND REAL PROPERTY MANAGEMENT

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$1,000.

*Reference: 2 CFR Part 200.1*

Acquisition cost is defined as the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment means the net invoice price of equipment including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the

purpose for which it was acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included or excluded in the acquisition cost in accordance with the non-Federal entity's regular accounting practices.

*Reference: 2 CFR Part 200.1*

The following items are subject to the inventory management and control requirements:

- Equipment items with an acquisition cost of \$1,000 or more per unit, and
- Items with an acquisition cost under \$1,000 per unit which is considered attractive or easily pilfered.
  - These “sensitive” items include, but are not limited to:
    - audio-visual equipment
    - digital cameras
    - laptops
    - televisions
    - DVD/Blu-Ray players
    - iPads/tablets
    - cell phones/2-way radios
    - power tools
    - computers
    - computer accessories
- Software
  - Software meeting the following criteria would be considered equipment and paid for out of the Capital Projects Fund:
    - Software license that is bought that costs \$5,000 or more.
    - Internally created software costing \$5,000 or more.
    - Useful life of more than one year.
- Further guidance is available at [Equipment vs. Supply](#)

*Note: While the Federal government maintains an acquisition cost of \$5,000 or more per unit for inventory management and control requirements, state regulations are more restrictive at the \$1,000 or more per unit threshold and therefore supersede the Federal government amount.*

### **Management requirements**

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum meet the following requirements:

1. Inventory Management Controls
  - a. Equipment Records must be maintained and include:



- Description of the equipment
  - Serial number or other identification number
  - Funding source of equipment [Including Federal Award Identification Number (FAIN)]
    - Located on Award Allocation Notification or
    - Located on DESE Payment Transmittal
  - Who holds the title, if applicable
  - Acquisition date
  - Cost of the equipment
  - Percentage of Federal participation in the project costs for the Federal award under which the equipment was acquired
  - Location of the equipment
  - Use and condition of the equipment
  - Any ultimate disposition data including the date of disposal and sale price of the equipment.
- b. A physical inventory of the equipment must be taken and the results reconciled with the equipment records at least once every two years.
  - c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated.
  - d. Adequate maintenance procedures must be developed to keep the equipment in good condition. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
2. Equipment Use
- a. Equipment must be used by the non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency.

During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired.

- First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment.
- Second preference must be given to programs or projects under Federal awards from other Federal awarding agencies.
- Third preference use for non-federally-funded programs or projects.
- If original intent is to be shared by multiple programs, cost should be charged or assigned to the Federal awards or cost objectives in accordance with relative benefits received.

- b. When no longer needed for the original program or project, the non-Federal entity may transfer title to the equipment to the Federal Government or to an eligible third party provided that
  - The non-Federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the equipment.
  - When original or replacement equipment acquired under a grant is no longer needed for the original project or program, the equipment may be transferred and used in other projects or programs currently or previously funded by the Federal awarding agency.
  - The transfer of such items should be noted on the equipment inventory maintained by the non-Federal entity.
- c. When acquiring replacement equipment, the non-Federal entity may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.

### 3. Equipment Disposition

When the original or replacement equipment acquired under a Federal award is no longer needed for the original project or program the non-Federal entity must dispose of the equipment as follows:

- a. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. The disposition of such items should be noted on the equipment inventory maintained by the subrecipient/subgrantee.
- b. Items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained by the non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from the sale by the Federal percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses. Proper sales procedures must be established to ensure the highest possible return.

*Reference: 2 CFR Part 200.313*

### 4. Real Property Use

Real property means land, including land improvements, structures and appurtenances, but excludes moveable machinery and equipment. *Reference: 2 CFR Part 200.85*

A non-Federal entity may not use its grant for real property unless specifically permitted by the authorizing statute, regulation and Department.

Real property (if approved) must be used only for the originally authorized purposes as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests.

5. Real Property Disposition

When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from DESE. The instructions must provide for one of the following alternatives:

- a. Retain title after compensating the Federal awarding agency.
- b. Sell the property and compensate the Federal awarding agency.
- c. Transfer title to the Federal awarding agency or to a third party designated/ approved by the Federal awarding agency.

*Reference: 2 CFR Part 200.311*

<b>FINANCIAL MANAGEMENT/SEPARATE TRACKING</b>
-----------------------------------------------

The financial management system of each non-Federal entity must provide for the following:

1. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
2. CFDA Title and Number
3. Federal Award Identification Number (FAIN)
4. Fiscal Year of the Award
5. Name of the Federal Agency
6. Name of the Pass-Through Entity
7. Accurate, current, and complete disclosure of the financial results of each Federal award or program.
8. Records that identify adequately the source and application of funds for federally-funded activities.
9. Effective control over, and accountability for, all funds, property, and other assets.
10. Comparison of expenditures with budget amounts for each Federal award.
11. Written procedures to implement the requirements of payment.  
*(See Cash Management Improvement Act (CMIA) Section.)*
12. Written procedures for determining the allowability of costs.  
*(See Allowable/Reasonable/Allocable Costs Section.)*
13. Grant/contract revenues, expenditures, etc. must be separately identified with source and project codes and must not be comingled with other state, Federal, and local funds.

Federal Award Identification Excel template is located at <https://dese.mo.gov/financial-admin-services/general-federal-guidance>.

Please refer to the DESE School Finance Accounting Manual for project and source code information  
<https://dese.mo.gov/financial-admin-services/school-finance/accounting-manual>.

*Reference: 2 CFR Part 200.302*

#### **FRAUD AND ABUSE**

To report fraud, waste and abuse of Federal funds, contact the Office of Inspector General (OIG) at:

Phone: 1-800-MIS-USED

Fax: 1-202-245-7047

Webpage: <https://ed.gov/about/offices/list/oig/hotline.html>

*Reference: Office of Inspector General*

#### **NONDISCRIMINATION**

A non-Federal entity shall not discriminate on the basis of race, color, national origin, sex, handicap, or age in its programs or activities.

*Reference: 34 CFR Part 76.500*

#### **OBLIGATION**

Each Federal grant has a period for which funds can be obligated and expended. Financial obligations means orders placed for property and services, contracts and subawards made, and similar transactions that require payment. When a grant is awarded, it is important to note what the approved project period is and the time frames for which obligations may be incurred and liquidated. Where a funding period is specified, a subrecipient/subgrantee may charge to the award only costs resulting from obligations incurred during the funding period. Also, if authorized by the applicable Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period.

IF THE OBLIGATION IS FOR...	THEN THE OBLIGATION IS MADE...
Acquisition of real or personal property	On the date on which the subgrantee makes a binding written commitment to acquire the property. <i>(Including materials/supplies and miscellaneous items such as meeting registrations.)</i>
Personal services by an employee of the subgrantee	When the services are performed.
Personal services by a contractor who is not an employee of the subgrantee	On the date on which the subgrantee makes a binding written commitment to obtain the services.
Performance of work other than personal services	On the date on which the subgrantee makes a binding written commitment to obtain the work.
Public utility services	When the subgrantee receives the services.
Travel	When the travel is taken.
Rental or real or personal property.	When the subgrantee uses the property.
A pre-agreement cost that was properly approved by the State under the cost principles	On the first day of the project period.

Reference: 34 CFR Part 76.707

### **Formula Grant**

If the authorizing statute for a program requires a State to make subgrants on the basis of a formula, the State may not authorize an applicant for a subgrant to obligate funds until the later of the following two dates:

- The date that the State may begin to obligate funds
- The date that the subgrantee submits its application to the State in substantially approvable form.

### **Competitive Grant**

If the authorizing statute for a program gives the State discretion to select subgrantees, the State may not authorize an applicant for a subgrant to obligate funds until the subgrant is made.

Reimbursement for obligations is subject to final approval of the application.

## **PERIOD OF AVAILABILITY**

DESE has to follow period of availability requirements as well; therefore, it is important for non-Federal entities to submit invoices and final expenditure reports (FER) by the due dates to ensure timely payments.

*Following is an illustration of the grant cycle, obligation period and FER reporting period. The **grant cycle** runs with the state fiscal year from July 1 to June 30. LEAs may not use current year funds on a prior year obligation if grant cycles are crossed.*

The **obligation period** is the period during the grant cycle in which funds may be obligated. Funds shall not be obligated until the budget application has been submitted or July 1, whichever is later.\*

The **FER reporting period** is the period during which obligations made during the obligation period are expended and reported. The FER due date has been extended to September 30 to allow LEAs additional time to close their books and report expenditures from obligations made during the obligation period of the grant cycle.

*\*Competitive grants may not obligate funds until the date of the subgrant award.*

Grant Cycle	Obligation Period	FER Reporting Period
July 1 – June 30	Date of Substantially Approved Application – June 30	July 1 – September 30
Period during which funds may be obligated and expended.	Obligations occur during the grant cycle, but only after a substantially approved budget application has been submitted.	Expenditures for obligations made during the obligation period (date of substantially approved application – <b>June 30</b> ) may be reported up until September 30.

*Reference: 34 CFR Part 76.707 and 2 CFR Part 200.309*

#### POLITICAL ACTIVITY

Federal funds cannot be used for partisan political purposes of any kind including advocacy by any person/organization involved in the administration of federally assisted programs.

*Reference: Hatch Act (5 U.S.C. 1501-1508) and Intergovernmental Personnel Act of 1970, as amended by Title VI of Civil Services Reform Act and Public law 95-454 Section 4728 and 2 CFR Part 200.450*

#### PROCUREMENT (Written Procedures Required)

### **General Procurement Standards**

The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in [§§ 200.317](#) through [200.327](#).

Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. Competition requirements will be met with documented procurement actions using strategic sourcing, shared services, and other similar procurement arrangements.

The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. See also [§ 200.214](#).

The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

The non-Federal entity may use a time-and-materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time-and-materials type contract means a contract whose cost to a non-Federal entity is the sum of:

- The actual cost of materials; and
- Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.

*Reference: 2 CFR Part 200.318*

## **Competition**



All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and [§ 200.320](#).

In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- (1) Placing unreasonable requirements on firms in order for them to qualify to do business;
- (2) Requiring unnecessary experience and excessive bonding;
- (3) Noncompetitive pricing practices between firms or between affiliated companies;
- (4) Noncompetitive contracts to consultants that are on retainer contracts;
- (5) Organizational conflicts of interest;
- (6) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
- (7) Any arbitrary action in the procurement process.

The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

1. Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and
2. Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

The non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.

Noncompetitive procurements can only be awarded in accordance with [§ 200.320\(c\)](#).

*Reference: 2 CFR Part 200.319*

### **Methods of Procurement**

The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and [§§ 200.317](#), [200.318](#), and [200.319](#) for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

1. ***Informal procurement methods.*** When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in [§ 200.1](#), or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include:
  - a. ***Micro-purchases –***
    - i. ***Distribution.*** The acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (See the definition of *micro-purchase* in [§ 200.1](#)). To the maximum extent practicable, the non-Federal entity should distribute micro-purchases equitably among qualified suppliers.
    - ii. ***Micro-purchase awards.*** Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly. Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-Federal entity.
    - iii. ***Micro-purchase thresholds.*** The non-Federal entity is responsible for determining and documenting an appropriate micro-purchase threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. The micro-purchase threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations. Non-Federal entities may establish a threshold higher than the Federal threshold established in the Federal Acquisition Regulations (FAR) in accordance with [paragraphs \(a\)\(1\)\(iv\)](#) and [\(v\)](#) of this section.
    - iv. ***Non-Federal entity increase to the micro-purchase threshold up to \$50,000.*** Non-Federal entities may establish a threshold higher than the micro-purchase threshold identified in the FAR in accordance with the requirements of this

section. The non-Federal entity may self-certify a threshold up to \$50,000 on an annual basis and must maintain documentation to be made available to the Federal awarding agency and auditors in accordance with [§ 200.334](#). The self-certification must include a justification, clear identification of the threshold, and supporting documentation of any of the following:

1. A qualification as a low-risk auditee, in accordance with the criteria in [§ 200.520](#) for the most recent audit;
  2. An annual internal institutional risk assessment to identify, mitigate, and manage financial risks; or,
  3. For public institutions, a higher threshold consistent with State law.
- v. ***Non-Federal entity increase to the micro-purchase threshold over \$50,000.*** Micro-purchase thresholds higher than \$50,000 must be approved by the cognizant agency for indirect costs. The non-federal entity must submit a request with the requirements included in [paragraph \(a\)\(1\)\(iv\)](#) of this section. The increased threshold is valid until there is a change in status in which the justification was approved.

b. ***Small purchases –***

- i. ***Small purchase procedures.*** The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.
  - ii. ***Simplified acquisition thresholds.*** The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the FAR. When applicable, a lower simplified acquisition threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations.
2. ***Formal procurement methods.*** When the value of the procurement for property or services under a Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with [§ 200.319](#) or [paragraph \(c\)](#) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:
- a. ***Sealed bids.*** A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions.

- i. In order for sealed bidding to be feasible, the following conditions should be present:
    - 1. A complete, adequate, and realistic specification or purchase description is available;
    - 2. Two or more responsible bidders are willing and able to compete effectively for the business; and
    - 3. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.
- b. If sealed bids are used, the following requirements apply:
  - i. Bids must be solicited from an adequate number of qualified sources, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
  - ii. The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
  - iii. All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
  - iv. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
  - v. Any or all bids may be rejected if there is a sound documented reason.
- c. **Proposals.** A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. They are awarded in accordance with the following requirements:
  - i. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number of qualified offerors. Any response to publicized requests for proposals must be considered to the maximum extent practical;
  - ii. The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and making selections;
  - iii. Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the non-Federal entity, with price and other factors considered; and
  - iv. The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby offeror's qualifications are evaluated and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in

procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms that are a potential source to perform the proposed effort.

- d. ***Noncompetitive procurement.*** There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:
- i. The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see [paragraph \(a\)\(1\)](#) of this section);
  - ii. The item is available only from a single source;
  - iii. The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
  - iv. The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
  - v. After solicitation of a number of sources, competition is determined inadequate.

*Reference: 2 CFR Parts 200.320*

#### **Contracting with Small and Minority and Women's Businesses**

The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

*Reference: 2 CFR Parts 200.321*

## Procurement “Claw” (Section 200.320)



June 2018 Update from Federal Government

1. Micro-Purchase Threshold raised up to \$10,000 (200.67)
2. Small Purchases (Simple Acquisitions) Threshold raised to \$10,001 to \$249,999 (200.88)
3. Construction Projects raised to equal or greater than \$250,000
4. Competitive Proposals raised to equal or greater than \$250,000

*Reference: 2 CFR Part 200.320*

### PROGRAM INCOME

Program income shall be deducted from reimbursements unless the Federal awarding agency regulations or the grant agreement specify another alternative.

**Program income** means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in [§ 200.307\(f\)](#). (See the definition of *period of performance* in this section.) Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated

under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also [§ 200.407](#). See also [35 U.S.C. 200-212](#) “Disposition of Rights in Educational Awards” applies to inventions made under Federal awards.

*Reference: 2 CFR Parts 200 and 200.307*

## RECORD RETENTION

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.

If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and the final action taken.

Records for real property and equipment acquired with Federal funds must be retained for three years after final disposition.

*Reference: 2 CFR Part 200.334*

## SINGLE AUDIT

A non-Federal entity that expends \$750,000 or more during that fiscal year in Federal awards must have a single or program-specific audit conducted for that year.

*Reference: 2 CFR Part 200.501*

When procuring audit services, the objective is to obtain high quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under Generally Accepted Government Auditing Standards (GAGAS). Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services

*Reference: 2 CFR Part 200.509*

The auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. The schedule should include the individual Federal programs separately or within a cluster of programs.

*Reference: 2 CFR Part 200.510*

At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings a corrective action plan to address each audit finding included in the current year auditor's report. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

*Reference: 2 CFR Part 200.511*

#### **SUPPLEMENT/SUPPLANT REQUIREMENTS**

Under the Federal "supplement, not supplant" requirement, non-Federal entities may use Federal funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may non-Federal entities use Federal program funds to supplant (take the place of) funds from non-Federal sources.

Please contact the appropriate DESE program section for program specific supplement, not supplant guidance. For the Title I grant, guidance is available in the Fiscal Requirements Guide at <https://dese.mo.gov/sites/default/files/ffm-FiscalRequirements.pdf>

Supplanting is presumed to occur in the following instances:

- The non-Federal entity uses Federal funds to provide services that it is required to make available under other Federal, state or local laws.
- The non-Federal entity uses Federal funds to provide services that were provided with non-Federal funds in the prior year.

These presumptions are rebuttable if the non-Federal entity can demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available. For example, a non-Federal entity in the past year had used state or local funds to pay the salaries of certain personnel. The non-Federal entity then experiences significant loss of revenue. In the next year that non-Federal entity may be able to demonstrate that the use of current year Federal program funds to pay for the salary costs would not be supplanting because, without the Federal funds, it would



not have the resources needed to maintain these positions. This exception can also be used where the services are mandated by state law, but the state provides no funds for it.

When using this rebuttable exception it is very important that the non-Federal entity maintains good fiscal records and documentation from their Management (School Board, Board of Directors, Authorized Representatives, etc.) that will permit an auditor or program monitor to conclude that they have not supplanted.

In particular, a non-Federal entity that believes it could not maintain services previously paid with state or local funds had Federal program funds not been available should:

1. Be able to demonstrate a decrease of state and local funds from the prior year, and the maintenance or increase in standard operating costs (salaries, benefits, supplies, etc.) from the prior year;

**-OR-**

Be able to demonstrate that any increase in state and local funds is less than increases of the standard operating costs, and state/local funds have not been redirected to a new activity;

**-AND-**

2. Be able to demonstrate that Management is on record as deciding to eliminate the activity under question unless a new source of funds is made available from non-state and non-local funds (in the absence of state and local funds), and the activities to be funded under a particular Federal program are clearly consistent with the purpose of that program.

US Department of Education Federal Programs that have supplement, not supplant requirement (Restricted Rate Programs), please refer to US Department of Education <https://www2.ed.gov/about/offices/list/ocfo/restrate.html>

*Reference: Specific Program Requirements*

## **SUPPLIES**

Title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal government for its share.

See page 15 Equipment and Real Property Management for “sensitive items” which are to be inventoried.

*Reference: 2 CFR Part 200.314*

## **TIME AND EFFORT (Written Procedures Required)**

UGG does not require semi-annual certifications or Personnel Activity Report (PAR) reports as support for compensation expenses. However, the Missouri State Department of Elementary and Secondary Education will continue to require that all LEAs use their current internal control system of semi-annual certifications, PAR reports, or approved substitute systems. Continuing with the current system will ensure compliance with the UGG and give the Federal government time to issue implementation guidance for this issue.

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements noted below and that the total compensation for individual employees:

- Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.
- Follows an appointment made in accordance with the non-Federal entity's laws or written policies.
- Is determined and supported by appropriate documentation.

### **Documentation of Personnel**

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Staff included in the consolidated schoolwide pool or Early Learning blended funding is exempt from time and effort documentation. Personnel Records must:

- Be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable and properly allocated.
- Be incorporated into the official records of the non-Federal entity.
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy.
- Comply with the established accounting policies and practices of the non-Federal entity.
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases.
- Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.
- Records may reflect categories of activities as a percentage distribution of total activities.

## **Time and Effort Documentation for LEAs, Non-Profits and Community-Based Organizations**

Records are required for all employees, including teachers, paraprofessionals, administrators, and other staff paid with Federal funds to document the time and effort they spend within the program. The portion of the federally paid salary should be reflective of the actual activity, not budgeted, the individual has put forth for that Federal program. Time and effort reporting is required when any part of an individual's salary is charged to a Federal program or used as match for a Federal program.

### **Semi-Annual Time Certification**

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are required to be prepared at least semi-annually.

### **Monthly Personnel Activity Report**

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs). Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards. A **Substitute System Management Annual Certification Form**

State educational agencies (SEAs) are authorized to approve local educational agencies (LEAs) to use a substitute system for time-and-effort reporting in accordance with the following guidelines. In permitting an LEA to use the substitute system, the SEA must obtain from the LEA a management certification certifying that only eligible employees will participate in the substitute system and that the system used to document employee work schedules includes sufficient controls to ensure that the schedules are accurate. Substitute system guidelines include:

- (1) To be eligible to document time and effort under the substitute system, employees must:
  - a. Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports;
  - b. Work on specific activities or cost objectives based on a predetermined schedule; and
  - c. Not work on multiple activities or cost objectives at the exact same time on their schedule.
- (2) Under the substitute system, **in lieu of personnel activity reports**, eligible employees may support a distribution of their salaries and wages through documentation of an established

work schedule that meets the standards under section (3). An acceptable work schedule may be in a style and format already used by an LEA.

(3) Employee schedules must:

- a. Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;
- b. Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and
- c. Be certified at least semiannually and signed by the employee and a supervisory official having firsthand knowledge of the work performed by the employee.

(4) Any revisions to an employee's established schedule that continue for a prolonged period must be documented and certified in accordance with the requirements in section (3). The effective dates of any changes must be clearly indicated in the documentation provided.

(5) Any significant deviations from an employee's established schedule, that require the employee to work on multiple activities or cost objectives at the exact same time, including but not limited to lengthy, unanticipated schedule changes, must be documented by the employee using a personnel activity report that covers the period during which the deviations occurred.

Time and Effort for Institutions of Higher Education (IHE)

Any employee at an Institution of Higher Education (universities and community colleges) whose salary (wage) is funded in whole or in part by Federal funds must complete a time and effort report.

Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards. Among such conditions are the following:

- Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement.
- Incidental activities for which supplemental compensation is allowable under written institutional policy need not be included in the records.

The time and effort report must be prepared each academic semester, but no less frequently than every six months. The time and effort reports must:

- Reflect the distribution of activity expended by the employee (must indicate all of the Federal and non-Federal activities the employee worked on).
- Reflect an after-the-fact reporting of the percentage distribution of activity of the employee (must be based on how the employee actually worked). Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if differences are indicated by the time and effort reports.

To confirm that the distribution of activity represents a reasonable estimate of the work performed during the reporting period, the employee accomplishing the work should sign the report. Reports may be signed by the employee, principle investigator, or responsible official(s) using suitable means of verification that the work was performed.

### Stipends and Extra-Duty Pay

When a non-Federal entity pays for extra work beyond an employee's regular contract, then the non-Federal entity must develop beforehand written documentation that indicates the extra work to be performed, the date(s) of performance, and the amount or rate to be paid to the employee. A contract if established must also be signed by the non-Federal entity and the employee to show the acceptance of the terms.

In addition, the employee must complete time and effort documentation that supports the extra work beyond the employee's regular contract. This documentation could be a semi-annual time certification or monthly personnel activity reports.

Refer to program specific guidance if required to code stipends and extra duty pay in Missouri Student Information System (MOSIS).

*Reference: 2 CFR Part 200.430*

#### Missouri Department of Elementary & Secondary Education Time and Effort Reporting Guidelines

Cost Objective	Criteria	Documentation Required
Single Cost Objective	<ul style="list-style-type: none"><li>Employee works solely on a single Federal award or cost objective</li></ul>	<b>Semi-Annual Certification</b> <ul style="list-style-type: none"><li>Must be prepared at least semi-annually; and</li><li>Must be signed <b>after-the-fact</b> by the employee or a supervisory official having firsthand knowledge of the work performed by the employee.*</li></ul>
Multiple Cost Objectives	<ul style="list-style-type: none"><li>More than one Federal award;</li><li>Federal award &amp; non-Federal award;</li><li>Indirect cost activity &amp; direct cost activity;</li><li>Two or more indirect activities that are allocated using different allocation bases; or</li><li>Unallowable activity &amp; a direct or indirect cost activity.</li></ul>	<b>Personnel Activity Reports (PAR)</b> <ul style="list-style-type: none"><li>Reflect an <b>after-the-fact</b> distribution of the actual activity of the employee.</li><li>Account for the total activity for which each employee is compensated;</li><li>Be prepared at least monthly and coincide with one or more pay periods; and</li><li>Must be signed <b>after-the-fact</b> by the employee and a supervisory official having firsthand knowledge of the work performed by the employee.*</li></ul>
Multiple Cost Objectives w/ Fixed Schedule (Substitute System)	<ul style="list-style-type: none"><li>Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports;</li><li>Work on specific activities or cost objectives based on a predetermined schedule; and</li><li>Not work on multiple activities or cost objectives at the exact same time on their schedule.</li></ul>	<b>Substitute System Certification &amp; Fixed Schedule</b> <ul style="list-style-type: none"><li>Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;</li><li>Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and</li><li>Be certified at least semi-annually &amp; signed by the employee &amp; a supervisory official having firsthand knowledge of the work performed by the employee.</li></ul>
Stipend and Extra Duty Pay	<ul style="list-style-type: none"><li>Pay for extra work beyond an employee's regular contract</li></ul>	<b>Written Agreement</b> <ul style="list-style-type: none"><li>Indicates the extra work to be performed;</li><li>Date(s) of performance;</li><li>Amount to be paid to the employee; and</li><li>Must be signed by the employer &amp; the employee to show the acceptance of the terms.</li></ul> <b>AND</b> <b>Semi-Annual Certification or PAR</b> <ul style="list-style-type: none"><li>See and follow requirements above</li></ul>

\*Signed could be actual signature or approval in an electronic timekeeping system.

Time and Effort Reporting Guidelines table is available <https://dese.mo.gov/financial-admin-services/general-federal-guidance>.

### **TRAVEL COSTS (Written policy required)**

#### **General**

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies.

#### **Lodging and Subsistence**

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

- (1) Participation of the individual is necessary to the Federal award; and
- (2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

#### **Documentation could include any or all of the following:**

- Agenda
- Prior Written Approval
- Written Justification Statement

#### **Dependent Care**

A non-Federal entity may not use its grant funds for temporary dependent care costs unless specifically permitted by the authorizing statute, regulation and Department.

*Reference: 2 CFR Part 200.475*

### **WRITTEN POLICIES OR PROCEDURES REQUIREMENTS**

The following are some of the required policies and procedures identified within this document. Non-Federal entity must develop and implement its own documented procedures and policies which reflect applicable Federal, State and local laws and regulations. This is not an all inclusive list. *(Note: Procedures are not Board approved. Policies are Board approved.)*

1. Allowability (Written Procedure) – *2 CFR Parts 200.403 and 200.406*
2. Cash Management (Written Procedure) – *Reference: 2 CFR Part 200.305*
3. Procurement (Written Procedure) – *Reference: 2 CFR Part 200.318 through 200.323*
  - a. Mandatory Disclosures including
    - i. Conflict of Interest – *Reference: 2 CFR Part 200.112*
    - ii. Gratuity – *Reference: 2 CFR Part 200.113*
4. Time & Effort (Written Procedure) – *Reference: 2 CFR Part 200.430*
5. Travel (Written Policy) – *Reference: 2 CFR Part 200.475*

**Additional resources are posted on the Division webpage at: <https://dese.mo.gov/financial-admin-services>**